

**PUBLIC DISCLOSURE**

**NOVEMBER 1, 2010**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**ENTERPRISE BANK AND TRUST COMPANY**

**Cert. # 27408**

**222 MERRIMACK STREET  
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**Division of Banks**

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<p><b>NOTE:</b> This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal Deposit Insurance Corporation or the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Enterprise Bank and Trust Company (“Enterprise Bank” or the “Bank”)** prepared by the Division and the FDIC, the institution's supervisory agencies, as of **November 1, 2010**. These agencies evaluate the Bank's performance in the assessment area(s), as it is defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in the Division's regulation 209 CMR 46.00. The FDIC rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

## INSTITUTION RATING

*INSTITUTION'S CRA RATING:* This institution is rated **Satisfactory**.

The Lending Test is rated: **Satisfactory**.

The Community Development Test is rated: **Outstanding**.

An institution in this group has a good record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each of these two tests is summarized below:

### **Lending Test:**

- The average loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of the Bank's small business and home mortgage loans were made in the Bank's assessment area.
- The Bank's overall geographic distribution of home mortgage and small business loans reflects a reasonable dispersion throughout the assessment area.
- The distribution of loans, given the demographics of the assessment area, reflects a reasonable penetration to business customers of different sizes and individuals of different income levels, with emphasis on low- and moderate-income.
- There were no CRA-related complaints received during the examination period.

### **Community Development Test:**

- The Bank originated an excellent level of community development loans since the previous examination. The ability to originate such a high volume of loans, despite the current economic climate is considered outstanding.
- Enterprise Bank devoted significant time and resources to various community development organizations in its assessment area, taking a leadership role in providing financial education to the area.
- While the Bank has no qualified equity investments, the institution made a very good level of qualified grants and donations.

## SCOPE OF THE EVALUATION

This evaluation was conducted jointly by the Division and FDIC. Intermediate Small Bank CRA procedures were utilized for the evaluation. These procedures utilize two performance tests: a Lending Test and a Community Development Test. This evaluation considered the Bank's lending and community development activities for the period of October 31, 2007 through June 30, 2010. The data and applicable timeframes for the Lending Test and the Community Development Test are discussed below.

The Lending Test focused on small business and home mortgage lending. The Bank's loan portfolio consists primarily of small business loans, as a percentage of the total loan portfolio. Therefore, greater emphasis was placed on the Bank's commercial lending performance. Small business loans for the purpose of this evaluation include commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less. The Bank is not currently required to collect and report small business loans in 2008 and 2009; however, the Bank does collect small business loan data in the format required to report the data to the Federal Reserve Bank. In this evaluation, comparing the Bank's small business lending activity to the aggregate data was not appropriate, as the Bank did not report its small business loans. Instead, the Bank's small business lending performance was compared to pertinent 2008, 2009, and 2010 demographic information. Small business lending data for 2010 (through June 30) is referenced, where applicable, in the narrative to illustrate trends in the Bank's lending data.

Home mortgage lending was also reviewed during this evaluation. Home mortgage lending included full-year data from 2008, 2009 and 2010 (through June 30), reported on the Bank's Loan Application Register ("LAR"), pursuant to the Home Mortgage Disclosure Act ("HMDA"). The evaluation emphasized the Bank's home mortgage lending performance in 2008 and 2009. For these two years, aggregate market data was available and was used for comparison purposes. Aggregate market data includes lending information from all HMDA reporters that originated loans in the Bank's assessment area.

Small farm loans were not considered, since the Bank made no small farm loans during the evaluation period. Consumer lending was also excluded from this analysis since it accounted for a minor portion of the Bank's overall lending activity.

Although both the number and dollar volume of the Bank's small business and home mortgage loans were reviewed, the number of originations was weighed more heavily than the dollar volume. This is because the number of loans is less likely to have been influenced by factors such as business size, applicant income level, or varying real estate values within the Bank's assessment area. If dollar volume was emphasized, higher income borrowers or geographic areas would generally appear to receive a larger percentage of loans simply because each loan is likely to be a larger dollar amount. Additionally, small business and home mortgage loans included loans purchased by the Bank.

The 2008 and 2009 lending data is presented in table formats followed by brief narrative commentary. The 2010 (through June 30) activity is generally discussed in the narrative to denote any significant trends, as applicable. Again, the Bank's small business lending activity was weighed significantly more than home mortgage lending, as the Bank's loan portfolio is comprised of commercial loans.

The Community Development Test included a review of community development loans, investments, and services for the period of October 31, 2007 through June 30, 2010. Community development grants and donations for the same time period were also included.

The Interstate Banking and Branching Efficiency Act of 1994 (“IBBEA”) requires the FDIC to evaluate the Bank’s overall performance within its assessment area and to reach separate conclusions on the Bank’s activities in each metropolitan statistical area (“MSA”) in which the Bank has a branch office. It should be noted that a significant majority of the Bank’s assessment area is located in the Boston-Cambridge-Quincy, MA-NH MSA/Core Based Statistical Area (CBSA), which consists of the Boston-Quincy, MA Metropolitan Division (MD), the Cambridge-Newton Framingham, MA MD, the Peabody, MA MD, and the Rockingham County-Stafford County, NH MD. Additionally, the Bank operates in the Worcester, MA MSA/CBSA and the Manchester-Nashua, NH MSA/CBSA. Additionally, IBBEA requires separate CRA ratings for each state in which the Bank maintains a branch location (Massachusetts and New Hampshire). Further, Section 109 of IBBEA prohibits the establishment of a branch outside of a Bank’s home state primarily for the purpose of deposit production. Therefore, an analysis of the loan-to-deposit ratios for Massachusetts and New Hampshire was conducted to determine the adequacy of the Bank’s lending activity in each state.

The CRA Public Evaluation is provided in the following format: (1) an assessment of the Bank’s overall performance in serving the credit needs of its entire assessment area; (2) conclusions on the Bank’s performance in the respective MSAs; and (3) an evaluation and assignment of ratings for Massachusetts and New Hampshire.

Unless otherwise noted, demographic data referenced throughout the evaluation was obtained from the 2000 United States (U.S.) Census.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Enterprise Bank is a state chartered stock-owned commercial bank headquartered in Lowell, Massachusetts (MA). The Bank is headquartered at 222 Merrimack Street, Lowell, MA, in a low-income Census tract. In addition to its main office and operations center in Lowell, the institution operates 17 full service branches. The Bank's MA branch offices are located in Lowell (2), Acton, Andover, Billerica, Chelmsford (2), Dracut, Fitchburg, Leominster, North Billerica, Tewksbury (2), Westford and Methuen. The Bank also operates branch offices in Salem and Derry, New Hampshire (NH). The Bank's other Lowell branch, located at 430 Gorham Street is also situated in a low-income Census tract. The Bank's MA Fitchburg, Leominster, and Dracut branches, and the NH Derry branch, are located in moderate-income Census tracts.

The primary business focus of Enterprise Bank is to create successful businesses and to foster prosperous communities. The Bank offers several commercial services to its customers including a 24-hour online banking service for account transfers and bill payment, with Quickbooks compatibility for businesses; Employee Benefits Management, including insurance and retirement; and a small business lending program, which encompasses commercial real estate and commercial and industrial small business loans, lines of credit, and overdraft protection. Additionally, the Bank offers residential mortgage loan customers a variety of mortgage loan products and deposit services including bill payment and on-line banking.

Since the previous evaluation, the Bank has opened three branches. The Methuen branch was opened in May of 2008 in a middle-income Census tract. The Acton office was opened in January of 2009 in an upper-income Census tract. The Bank opened its branch in Derry, NH in June of 2009; then relocated the branch in June of 2010. The initial Derry location and the relocated branch are located in moderate-income Census tracts. The Bank has not closed any offices since the prior evaluation.

The Bank's office hours vary slightly and most are open 9:00 a.m. to 4:00 p.m. Monday-Wednesday; 9:00 a.m. to 6:00 p.m. on Thursdays; 9:00 a.m. to 5:00 p.m. on Fridays; and 8:30 a.m. to 2:30 p.m. on Saturdays. Twelve of the Bank's branches also offer drive up services with extended hours. Hours and services at each branch appear reasonable, and do not vary in a way which inconveniences any portion of the assessment area.

As of September 30, 2010, the Bank's assets total \$1.4 billion. This represents an increase in asset size of 41.9 percent since the previous evaluation conducted by the FDIC on October 31, 2007 when assets totaled \$1.0 billion. Total loans, as of September 31, 2010, stood at \$1.1 billion or 78.5 percent of total assets. The Bank is primarily a commercial lender, with real estate secured commercial loans representing the largest portion of the Bank's portfolio at 47.6 percent, and commercial and industrial loans accounting for the next highest portion at 23.6 percent. Please refer to Table 1 for further information regarding the breakout of the Bank's loan portfolio as of September 30, 2010.

<b>Table 1</b> <b>Loan Distribution as of September 30, 2010</b>		
<b>Loan Type</b>	<b>Dollar Amount \$(000's)</b>	<b>Percent of Total Loans</b>
Construction 1-4 Family Residential	3,361	0.3
All Other Construction and Land Development	101,337	9.1
Revolving, open-end 1-4 Family Residential	63,878	5.7
1-4 Family Residential (first and second lien)	92,707	8.3
Multi-Family (5 or more) Residential	33,928	3.0
Commercial	530,995	47.6
<b>Total Real Estate Loans</b>	<b>826,206</b>	<b>74.0</b>
Commercial and Industrial	263,497	23.6
Consumer	3,736	0.3
Obligations of states and political subdivisions in the U.S.	20,733	2.0
Lease financing receivables	406	0.1
<b>Total Loans</b>	<b>1,114,578</b>	<b>100.0</b>

*Source: Reports of Income and Condition*

The FDIC last evaluated the Bank's CRA performance on October 31, 2007, and assigned an overall rating of "Satisfactory." The Division evaluated the institution as of July 16, 2001, and assigned an overall rating of "Outstanding."

There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. Based upon the Bank's asset size, product offerings, and branch network, its ability to help meet local credit needs remains strong.

### **Description of Assessment Area**

The CRA requires a financial institution to define an assessment area, or areas within which it will concentrate its lending efforts and within which its record of helping to meet the needs of its community will be evaluated.

Enterprise Bank delineated a contiguous assessment area consisting of 155 Census tracts located in MA and NH. The Census tracts in MA (131) are located in the Middlesex, Essex, and Worcester Counties. The area is made up of 20 cities and towns: Shirley, Lowell, Tyngsboro, Dracut, Tewksbury, Billerica, Chelmsford, Westford, Littleton, Groton, Pepperell, Dunstable, Acton, Lawrence, Methuen, North Andover, Andover, Leominster, Fitchburg, and Lunenburg. In New Hampshire, the remaining 24 Census tracts are located in Rockingham and Hillsborough counties. The area is made up of 8 cities and towns: Hudson, Pelham, Derry Londonderry, Salem, Atkinson, Hampstead, and Windham.

The Massachusetts cities and towns in Middlesex County are located in the Cambridge-Newton-Framingham MA MD, (#15764). Those cities and towns in Essex County are located in the Peabody MA MD, (#37764). The cities and towns in Worcester County are located in the Worcester MA MSA/CBSA (#49340). All of the Bank's New Hampshire cities and towns located in Rockingham County are in the Rockingham County-Stafford County, NH MD (#40484), while those in Hillsborough County are located in the Manchester-Nashua, NH MSA/CBSA (#31700).



The assessment area, as currently defined, meets the technical requirements of the CRA since they (1) consists of one or more political subdivisions; (2) include geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the bank originated a substantial portion of its loans; (3) consist of whole census tracts; (4) do not reflect illegal discrimination; and (5) do not arbitrarily exclude low- and moderate-income areas.

Table 2 highlights some of the relevant demographic data for the overall assessment area.

<b>Table 2 – Demographic Information</b>					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	155	15.5	19.4	43.9	21.3
Population by Geography	734,142	9.4	19.5	47.8	23.3
Owner-Occupied Housing by Geography	176,793	2.7	13.4	55.3	28.6
Business by Geography	47,547	9.0	13.7	49.2	28.2
Family Distribution by Income	190,430	21.3	18.7	22.9	37.1
Distribution of Low- and Moderate- Income Families throughout AA Geographies	76,214	15.6	29.0	43.2	12.2
Median Family Income (estimated): The three MDs listed below are within the Boston-Cambridge-Quincy MA-NH MSA/CBSA.			Median Housing Value		\$173,747
15764 – Cambridge-Newton-Framingham, MA MD (2008)		\$98,700	Unemployment Rate 2010 Q2:		
15764 – Cambridge-Newton-Framingham, MA MD (2009)		\$97,100	New Hampshire		
15764 – Cambridge-Newton-Framingham, MA MD (2010)		\$93,000	Rockingham County		6.2%
37764 – Peabody, MA MD (2008)		\$78,800	Hillsborough County		6.2%
37764 – Peabody, MA MD (2009)		\$83,600	Massachusetts		
37764 – Peabody, MA MD (2010)		\$83,900	Middlesex County		7.5%
40480–Rockingham County–Strafford County, NH MD (2008)		\$82,300	Essex County		9.5%
40480–Rockingham County–Strafford County, NH MD (2009)		\$84,900	Worcester County		9.9%
40480–Rockingham County–Strafford County, NH MD (2010)		\$87,000	Households Below Poverty Level		8.7%
49430 – Worcester, MA MSA/CBSA (2008)		\$76,900			
49430 – Worcester, MA MSA/CBSA (2009)		\$79,700			
49439 – Worcester, MA MSA/CBSA (2010)		\$79,900			
31700 – Manchester-Nashua, NH MSA/CBSA (2008)		\$82,500			
31700 – Manchester-Nashua, NH MSA/CBSA (2009)		\$84,000			
31700 – Manchester-Nashua, NH MSA/CBSA (2010)		\$84,200			

Source: 2000 United States Census data; HUD 2008, 2009, 2010 MFI Federal Financial Institutions Examination Council (FFIEC); FDIC Regional Economic Conditions (RECON)/Moody's Analytics, Inc.

### **Demographic and Economic Data:**

The demographic data for this evaluation consists of 2000 U.S. Census information. This demographic data will be utilized in analyzing the Bank's performance. The adjusted data for 2008, 2009 and 2010 is considered for trend analysis purposes where relevant.

### ***Geographies***

The overall assessment area contains 155 Census tracts (or *geographies*); 24 low-, 30 moderate-, 68 middle-, and 33 upper-income Census tracts.

### ***Population***

The total population of the assessment area is 734,142. As detailed in Table 2, 9.4 percent (69,185) of the total population reside in low-; 19.5 percent (143,147) in moderate-; 47.8 percent (351,018) in middle-; and 23.3 percent (170,792) in upper-income Census tracts.

### ***Business Data***

#### **Massachusetts**

According to 2010 FDIC Regional Economic Conditions (RECON)/Moody's Analytics, both private service- and goods-producing industries are seeing steady payroll gains in Massachusetts. Job growth is increasingly broad based, with most industries at the three-digit North American Industry Classification System (NAICS) level adding jobs. This is very different from late 2008 to early 2009, when most industries were cutting jobs. Job growth is more widely distributed across industries in the State than in the U.S. The three Boston area MDs, as well as Springfield, are seeing widespread job gains. Fewer industries are adding jobs in the Barnstable, Worcester, and Pittsfield areas.

According to 2009 Dun & Bradstreet business geo-demographic data, there are approximately 57,438 businesses operating within the Bank's assessment area. When analyzed by size, 77.3 percent of all businesses have gross annual revenues (GARs) of \$1 million or less, which are considered small businesses, for the purpose of this analysis. In 2010, the number of businesses declined to 47,547, with 78.2 percent having GARs of \$1 million or less.

#### **New Hampshire**

According to 2010 RECON/Moody's Analytics, retail industries contributed to the State's recovery. Strong equity market performance from January to April 2010 contributed to the rebound. The State's industry will continue to recover as jobs and income growth pick up. It should be noted that unsettled financial markets will have a negative effect on wealth and consumer confidence.

According to 2009 Dun & Bradstreet business geo-demographic data, there are approximately 13,712 businesses operating within the Bank's assessment area. When analyzed by size, 97.3 percent of all businesses have GARs of \$1 million or less. In 2010, the number of businesses declined to 11,266, with 80.1 percent having GARs of \$1 million or less.

### ***Family Distribution***

There are 190,430 families within the Bank's assessment area. Table 2 illustrates the breakout of families by income level. Based on the total number of families, 21.3 percent (40,562) are low-; 18.7 percent (35,652) are moderate-; 22.9 percent (43,608) are middle-; and 37.1 percent (70,577) are in the upper-income. Combined, 40 percent (76,214) are low- and moderate-income families.

### ***Median Family Income***

Consideration is given to the distribution of families by income level when compared to the adjusted Median Family Income (MFI) for the Boston-Cambridge-Quincy, MA-NH MSA/CBSA which includes Cambridge-Newton-Framingham MA MD, Peabody, MA MD, and Rockingham County-Strafford County, NH MD; Worcester, MA MSA; and Manchester-Nashua, NH MSA. MFI levels are determined by utilizing annually adjusted estimates provide by the Department of Housing and Urban Development (HUD). Income levels are determined as follows:

Low-income:	Less than 50% MFI
Moderate-income:	At least 50% but less than 80% of MFI
Middle-income:	At least 80% but less than 120% of MFI
Upper-income:	Equal to or greater than 120% of MFI

### ***Housing***

Housing units within the assessment area total 275,629, of which 176,793 (61.4 percent) are owner-occupied; 86,257 (31.3 percent) are occupied rental units; and 8,711 (3.2 percent) are vacant. Please refer to Table 2 for the geographic distribution of owner-occupied housing units by income level of census tract. Of the 275,629 total housing units in the assessment area, 81 percent are 1-4 family units, 17.6 percent are multifamily structures, and 1.4 percent are mobile homes or trailers.

### ***Housing Sales and Prices***

#### **Massachusetts**

According to the Massachusetts Association of Realtors, as published in RECON/Moody's Analytics in September 2010, sales of existing single-family homes were down 28 percent on a year-ago basis in July 2009, and 18 percent in August 2009. However, sales surged in the Spring of 2010 because of the federal homebuyer tax credit, which brought some sales forward. When the tax credit expired, sales dropped off. Taking a six-month average of sales shows that they have slowed, but by much less than the monthly data would otherwise suggest. Low mortgage rates, very high affordability, improved credit, and a strengthening labor market will all support home sales in the near term.

Monthly house price data, including the Realtors' median price and the S&P/Case/Shiller index for Greater Boston, covering most of the State, also show strength in housing. Prices have recovered from their low in early 2009, although they are still down from their peak of a few years ago. Prices may decline again in the near term as more foreclosures hit the market. However, the worst of the State's house price declines are over, and the drag on consumer spending from falling house prices has largely run its course.

#### **New Hampshire**

According to RECON/Moody's Analytics, housing prices have firmed in recent quarters, but additional declines are expected. Excess supply in the NH market is accumulating at a slower pace, but significant increases in 120-day mortgage delinquencies suggest that mounting foreclosures will depress house prices and add unwanted supply to the inventory of unsold homes. Prices are expected to rise in early 2012, supported by accelerating job and income growth. Prices will have declined 20 percent from their peak to their trough, which is significantly better than the expected national decline of 34 percent. Despite its smaller correction, the State's housing market will take just as long as the U.S. to recuperate. Prices will climb back up to their 2006 peak by late in the decade. Table 3 depicts median sales prices for the counties located within the delineated assessment area for calendar year 2009.

<b>Table 3 - Median Home Sales Prices All Counties located in the Assessment Area</b>	
<b>MSA/MD</b>	<b>2009</b>
Cambridge-Newton-Framingham, MA MD	\$332,600
Peabody, MA MD	\$360,000
Rockingham County-Stafford County, NH MD	\$267,200
Worcester, MA MSA/CBSA	\$217,700
Manchester-Nashua, NH MSA/CBSA	\$227,100

*Source: RECON and the New Hampshire Association of Realtors*

### ***Housing Permits***

Total housing permits issued in the five counties experienced significant declines from 2008 through the first quarter of 2010; however, recent housing permit data from RECON/Moody's Analytics indicates that all counties, Middlesex, Essex, and Worcester in Massachusetts and Hillsborough, Rockingham in New Hampshire have seen an increase in the number of single family housing permits during the second quarter of 2010.

### ***Unemployment***

Unemployment in the five counties ranged from a low of 6.2 percent in Hillsborough and Rockingham Counties (NH) to higher levels of unemployment rates in the counties of Middlesex, Essex, and Worcester (MA) of 7.5 percent, 9.5 percent, and 9.9 percent, respectively.

### ***Community Contact***

As part of the evaluation process, third parties that are active in community affairs are contacted to assist in assessing the housing and business needs in the Bank's assessment area. Relevant information from this practice assists in determining whether local financial institutions are responsive to the credit needs of the community, and whether additional opportunities are available. This evaluation utilized a community contact from a previous evaluation conducted by the Division in October 2010. The Division also conducted an additional contact during this evaluation. Both contacts were relevant and appropriate for this examination based on the locality and mission statement of the organizations.

The first contact was conducted with a community action agency focused on anti-poverty efforts. The contact was generally satisfied with the involvement from the community, and named Enterprise Bank specifically as one institution very involved in fundraising and development projects. However, the contact did suggest more support for affordable housing was necessary. Downtown Lowell and the Centerville area were mentioned as areas particularly in need of development. The contact also noted the need for more flexible lending programs designed specifically to meet the needs of low-income families.

The second contact was conducted with an economic development corporation which specializes in providing gap financing to small businesses. This contact was also satisfied with the involvement of the local financial institutions in the area, and noted that a lack of loan demand from businesses in such an economically fragile environment was the main area of concern. The contact indicated that borrowers and lenders would have to become less risk averse in order to spur economic growth. Additionally, micro-lending programs and the SBA loan guarantee programs were two forms of credit the contact mentioned that would reduce risk for lenders and perhaps make credit opportunities more attractive to businesses in the area.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

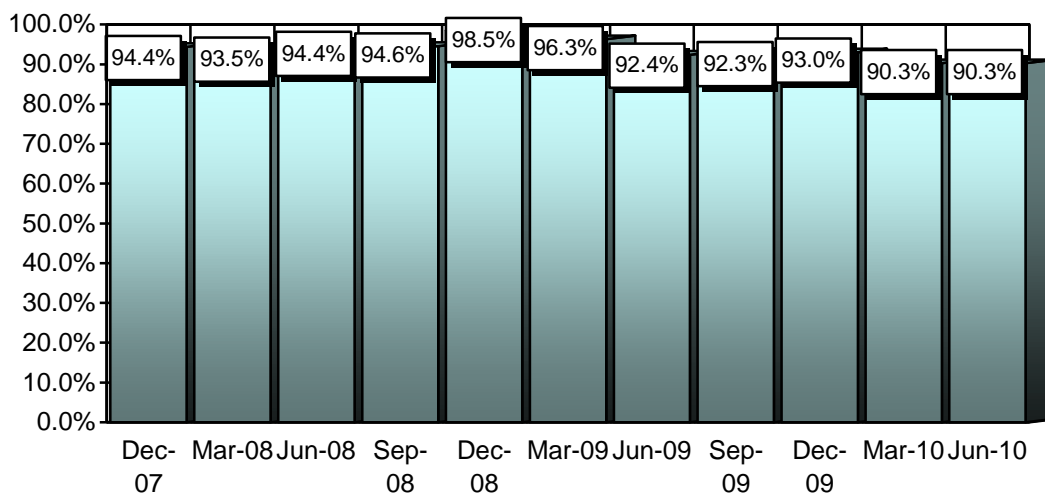
The Intermediate Small Bank CRA evaluation procedures utilize two performance tests: the Lending Test and the Community Development Test. The Lending Test considers the institution's performance pursuant to the following criteria: loan-to-deposit ratio, assessment area concentration, geographic distribution of loans, lending to businesses of different sizes and borrowers of different incomes (borrower profile), and the Bank's record of taking action in response to CRA complaints.

### LOAN TO DEPOSIT ("LTD") ANALYSIS

This performance criterion evaluates the proportion of the Bank's deposit base that is reinvested in the form of loans. The analysis was performed using Federal Financial Institutions Examination Council ("FFIEC") quarterly call report data for the period ending December 31, 2007 through June 30, 2010. The analysis was conducted to determine the extent of the Bank's lending compared to deposits received from its customers.

Enterprise Bank's average LTD ratio for the time period was calculated at 93.6 percent and is considered reasonable given the Bank's size and the assessment area credit needs. The following graph depicts the net LTD ratios for each quarter under review.

**ENTERPRISE BANK**  
**QUARTERLY NET LOAN-TO-DEPOSIT RATIOS**  
**December 2007 - June 2010**



Source: Call Report Data

As displayed in the graph above, the LTD ratio remained within the 90 percent range, but has fallen over the 11 quarters since the previous examination. Overall, growth in deposits (39.9 percent) outperformed that of loans (33.7 percent), leading to a decrease in the LTD ratio to 90.3

percent in June 2010, down from 94.4 percent in December 2007. Another factor which contributes to the decrease in the LTD ratio is the number of residential loans sold from the Bank's portfolio into the secondary market. During the timeframe the Bank sold 411 loans totaling \$81.3 million.

The average LTD ratio was also compared to five similarly situated institutions (by portfolio concentration, locations and asset size), to assist in forming conclusions about the appropriateness of the Bank's LTD. As displayed in Table 4, the Bank's LTD ratio was generally comparable to the five similarly situated institutions. Given the Bank's size, financial condition, and the characteristics of similar institutions, the LTD ratio appears reasonable. Therefore, the Bank meets the standards for satisfactory performance for this criterion.

<b>Table 4</b>		
<b>Net Loan-to-Deposit Ratio Comparison</b>		
Institution	Avg LTD ratio	Asset Size* \$(000)
Northern Bank & Trust Co	119.7%	\$634,508
RiverBank	108.0%	\$796,917
Bank of New England	97.6%	\$500,633
<b><i>Enterprise Bank &amp; Trust</i></b>	<b><i>93.6%</i></b>	<b><i>\$1,373,261</i></b>
Centrix Bank & Trust	89.6%	\$647,308
Commerce Bank & Trust Co	72.4%	\$1,183,704

\*as of June 30, 2010

### **Assessment Area Concentration**

This performance criterion measures the percentage of the Bank's lending that benefits assessment area businesses and residents, and evaluates the adequacy of such lending. Overall, Enterprise Bank originated a majority of loans and other lending related activities in the Bank's assessment area during the evaluation period.

In 2008, 2009, and 2010 (through June 30), the Bank originated a total of 2,577 small business and home mortgage loans totaling \$439.8 million. Of the combined loans, 2,043, or 79.3 percent by number, and \$318.6 million, or 72.4 percent by dollar amount, were originated within the Bank's delineated assessment area. Of the 2,043 small business and home mortgage loans inside the assessment area, there were 1,424 by number (or 81.2 percent) and \$193.2 million, by dollar amount, of small business loans, and 619 by number (or 75.1 percent), and \$125.5 million, by dollar amount, of home mortgage loans. Each year is depicted in Table 5.

<b>Table 5</b> <b>Distribution of Loans Inside and Outside of Assessment Area</b>										
Loan Category or Type	Number Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2008 Small Business	609	81.6	137	18.4	746	82,462	77.7	23,706	22.3	106,168
2009 Small Business	562	82.3	121	17.7	683	82,980	79.1	21,946	20.9	104,926
2010 Small Business	253	78.1	71	21.9	324	27,730	68.9	12,501	31.1	40,231
<b>Subtotal</b>	<b>1,424</b>	<b>81.2</b>	<b>329</b>	<b>18.8</b>	<b>1,753</b>	<b>193,172</b>	<b>76.9</b>	<b>58,153</b>	<b>23.1</b>	<b>251,325</b>
2008 Home Mortgage	188	77.0	56	23.0	244	36,904	66.0	19,040	34.0	55,944
2009 Home Mortgage	339	76.4	105	23.6	444	67,338	68.2	31,343	31.8	98,681
2010 Home Mortgage	92	67.6	44	32.4	136	21,226	62.7	12,633	37.3	33,859
<b>Subtotal</b>	<b>619</b>	<b>75.1</b>	<b>205</b>	<b>24.9</b>	<b>824</b>	<b>125,468</b>	<b>66.6</b>	<b>63,016</b>	<b>33.4</b>	<b>188,484</b>
<b>Grand Total</b>	<b>2,043</b>	<b>79.3</b>	<b>534</b>	<b>20.7</b>	<b>2,577</b>	<b>318,640</b>	<b>72.4</b>	<b>121,169</b>	<b>27.6</b>	<b>439,809</b>

Source: Small Business Bank Records; HMDA LARs 2008, 2009, and 2010 through June 30.

### ***Small Business Lending***

As depicted in Table 5, Enterprise Bank originated 609 small business loans, totaling \$82.4 million inside its assessment area in 2008, representing 81.6 percent, by number, and 77.7 percent, by dollar amount.

In 2009, the Bank originated 562 small business loans, totaling nearly \$83 million within its assessment area, representing 82.3 percent by number and 79.1 percent by dollar volume. Although total number of loans originated in the assessment area declined, the percentage originated in the area increased slightly.

In 2010 (through June 30), the Bank originated 253 small business loans, totaling \$27.7 million, inside the assessment area. Again, the Bank was able to originate a majority in the assessment area.

Given the level of competition in the area, coupled with certain economic conditions, the Bank's performance is considered good.

### ***Home Mortgage Lending***

As reflected in Table 5, in 2008, Enterprise Bank reported 188 home mortgage loans totaling nearly \$37 million, representing 77.0 percent, by number and 66.0 percent by dollar amount within the Bank's assessment area. In 2009, the Bank reported 339 loans totaling \$67.3 million, representing 76.4 percent by number and 68.2 percent, by dollar amount within the Bank's assessment area. The increase is attributed to an interest rate environment that spurred refinances, as well as the housing tax credit program which encouraged purchases.

A comparison with the 2008 aggregate market revealed that the Bank ranked 29<sup>th</sup> out of 453 lenders, with a market share of .72 percent. In terms of total dollar amount, the Bank ranked 30<sup>th</sup> with a market share of .61 percent. A similar analysis was performed for 2009 and revealed that the Bank ranked 32<sup>nd</sup> out of 453 lenders, by number of loans, and 37<sup>th</sup> by dollar amount.

The Bank's market ranks are considered adequate. The institution's performance is exceeded only by larger regional banks, mortgage companies, and financial institutions operating in the assessment area.

For year-to-date (YTD) 2010, the Bank originated 92 loans, or 67.6 percent, inside the assessment area. It should be noted that aggregate data is not available for 2010.

Although the percentage of loans inside the assessment area declined, the overall performance is considered reasonable given the competition in the area, economic factors, and housing market conditions.

### **Geographic Distribution**

The geographic distribution of loans was reviewed to assess the Bank's performance in addressing credit needs throughout its assessment area. The focus of this analysis is to assess the Bank's small business and home mortgage loan distribution in its assessment area, with emphasis placed on lending in low- and moderate-income Census tracts.

Overall, the geographic distribution of small business and home mortgage lending reflects reasonable dispersion throughout the Bank's assessment area during the evaluation period.

### ***Small Business Lending***

The Bank demonstrated reasonable dispersion of its small business loans. Table 6 highlights the distribution of small business loans by income category of the Census tract.

<b>Table 6 – Distribution of Small Business Loans by Income Category of the Census Tract</b>								
<b>Census Tract Income Level</b>	<b>2008 Commercial Businesses</b>		<b>2008 Bank Lending Data</b>		<b>2009 Commercial Businesses</b>		<b>2009 Bank Lending Data</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	<b>5,409</b>	<b>10.0</b>	<b>68</b>	<b>11.2</b>	<b>5,686</b>	<b>9.9</b>	<b>52</b>	<b>9.3</b>
<b>Moderate</b>	<b>7,723</b>	<b>14.3</b>	<b>91</b>	<b>14.9</b>	<b>8,115</b>	<b>14.1</b>	<b>87</b>	<b>15.5</b>
<b>Middle</b>	26,128	48.5	351	57.6	27,833	48.5	317	56.3
<b>Upper</b>	14,637	27.2	99	16.3	15,804	27.5	106	18.9
<b>Total*</b>	<b>53,897</b>	<b>100.0</b>	<b>609</b>	<b>100.0</b>	<b>57,438</b>	<b>100.0</b>	<b>562</b>	<b>100.0</b>

*Source: 2008 and 2009 Dun & Bradstreet Data; 2008 and 2009 Small business Bank lending CRA records.*

As depicted in Table 6, in 2008, the Bank originated 68 small business loans, or 11.2 percent, in the low-income census tracts. For comparison purposes, the Bank's performance was slightly higher than the percentage of businesses located in low-income tracts, at 10.0 percent, according to 2008 Dun & Bradstreet data. Also in 2008, the Bank originated 91 loans, or 14.9 percent, in moderate income Census tracts, which is also slightly above the percentage of businesses located in moderate-income census tracts at 14.3 percent.

In 2009, the Bank originated 52 small business loans, or 9.3 percent, in the low-income Census tracts which is slightly lower the percentage of small businesses located in low-income Census tracts, at 9.9 percent. Also in 2009, the Bank originated 87 loans, or 15.5 percent, in moderate-



income Census tracts which is slightly higher than the percentage of commercial businesses located in the moderate-income census tracts, at 14.1 percent, according to 2009 Dun & Bradstreet data.

Further analysis was conducted regarding whether the Bank originated small business loans in each Census tract of the Bank's assessment area, with emphasis on the low- and moderate-income tracts. In 2008, the Bank made loans in 15 of the 24 low-income Census tracts, and 23 of the 30 moderate-income census tracts. In 2009, the Bank originated loans in 14 of the 24 low-income Census tracts, and 27 of the 30 moderate-income tracts. Analysis of the tracts with no loans by the Bank revealed that limited lending opportunities exist.

Analysis of YTD 2010 data revealed the Bank's lending in low- and moderate-income Census tracts, by number, and by dollar amount, was 7.5 percent and 11.9 percent, respectively. In comparison to 2010 Dun & Bradstreet data, the Bank's performance, through June 30, 2010, is below the percentage of commercial businesses in low- and moderate-income Census tracts, at nearly 9.0 and 13.7 percent, respectively.

### ***Home Mortgage Lending***

Overall, the Bank's geographic distribution of home mortgage loans reflects excellent dispersion throughout its assessment area, particularly in low- and moderate-income Census tracts. Table 7 presents the distribution of home mortgage loans by income category of the Census tract for 2008 and 2009, and provides information about the 2008 and 2009 aggregate market data and the percentage of owner-occupied housing units within each Census tract category in the Bank's assessment area.

<b>Table 7 – Number Distribution of Home Mortgage Loans by Income Category of the Census Tract</b>									
<b>Census Tract Income Level</b>	<b>% of Total Owner-Occupied Housing Units</b>	<b>2009 Aggregate Lending Data</b>		<b>2009 Bank Lending Data</b>		<b>2008 Aggregate Lending Data</b>		<b>2008 Bank Lending Data</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	<b>2.7</b>	<b>719</b>	<b>2.4</b>	<b>22</b>	<b>6.5</b>	<b>738</b>	<b>4.1</b>	<b>14</b>	<b>7.4</b>
<b>Moderate</b>	<b>13.4</b>	<b>2,812</b>	<b>9.5</b>	<b>57</b>	<b>16.8</b>	<b>2,568</b>	<b>14.1</b>	<b>43</b>	<b>22.9</b>
<b>Middle</b>	55.3	15,158	51.1	181	53.4	9,429	51.9	99	52.7
<b>Upper</b>	28.6	10,978	37.0	79	23.3	5,441	29.9	32	17.0
<b>Total</b>	<b>100.0</b>	<b>29,667</b>	<b>100.0</b>	<b>339</b>	<b>100.0</b>	<b>18,176</b>	<b>100.0</b>	<b>188</b>	<b>100.0</b>

*Source: U.S. Census (2000), HMDA LAR 2008, 2009, and 2010 through June 30; Aggregate Data 2008 and 2009.*

In 2008 and 2009, the Bank originated 14 home mortgage loans, or 7.4 percent, by number, and 22 home mortgage loans, or 6.5 percent in the low-income Census tracts. In both years, the Bank's distribution exceeded the 2008 and 2009 aggregate market data, at 2.4 percent, and 4.1 percent, respectively, as well as, the percentage of owner-occupied housing units in low-income Census tracts, at 2.7 percent. Within the moderate-income Census tracts, the Bank originated 43

and 57 loans, respectively, in 2008 and 2009. The Bank's performance exceeded the 2008 and 2009 aggregate market data percentage in the moderate-income Census tracts, at 14.1 and 9.5 percent, respectively, as well as, the percentage of owner-occupied housing units, at 13.4 percent.

A review of the 2008 aggregate market ranks revealed that Enterprise Bank ranked 17<sup>th</sup> out of 145 lenders, by number, in the low-income Census tracts, and 19<sup>th</sup> out of 228 lenders in moderate-income tracts. The Bank's rank represents a market share of 1.3 percent. Larger regional banks, mortgage companies, and a credit union, were the only financial institutions that exceeded the Bank in the aggregate market share report.

A review of the 2009 aggregate data revealed that the Bank's market ranks improved from 2008. Within the low-income tracts Enterprise Bank was 12<sup>th</sup> out of 125 lenders, and within the moderate-income tracts, 18<sup>th</sup> out of 226 reporters.

Further analysis was conducted regarding the Bank penetration of the Census tracts of its assessment area, with emphasis on the low- and moderate- income tracts. In 2008, the Bank originated loans in 7 of the 24 low-income Census tracts, and 16 of the 30 moderate-income Census tracts. In 2009, the Bank originated loans in 12 of the 24 low-income Census tracts, and 27 of the 30 moderate-income Census tracts. Analysis of those tracts with no Bank loans revealed a limited number of housing units, and owner-occupied units, as well as families living below the poverty level.

Analysis of the YTD 2010 data revealed that the Bank originated 7 and 20 loans, respectively, within the area's low- and moderate-income tracts.

## **Borrower Profile**

The distribution of loans predicated on small business revenue and borrower income was reviewed to determine the extent to which the Bank is addressing the credit needs of its small business customers and its residents in 2008 and 2009 within its assessment area. The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration of business customers of different sizes and among individuals of different income levels, including low- and moderate- income.

### ***Small Business Lending***

The Bank demonstrated reasonable penetration of loans to businesses of different revenue sizes in the assessment area in 2008 and 2009.

<b>Table 8 – Distribution of Small Business Loans by Gross Annual Revenue Category (GAR)</b>								
<b>GAR (000s)</b>	<b>2008 Commercial Businesses</b>		<b>2008 Bank Lending Data</b>		<b>2009 Commercial Businesses</b>		<b>2009 Bank Lending Data</b>	
	#	%	#	%	#	%	#	%
<b>≤ \$1,000</b>	<b>35,361</b>	<b>65.6</b>	<b>364</b>	<b>59.8</b>	<b>44,371</b>	<b>77.3</b>	<b>320</b>	<b>56.9</b>
<b>&gt; \$1,000</b>	3,171	5.9	239	39.2	3,232	5.6	240	42.7
<b>GAR N/A</b>	15,365	28.5	6	1.0	9,835	17.1	2	0.4
<b>Total</b>	<b>53,897</b>	<b>100.0</b>	<b>609</b>	<b>100.0</b>	<b>57,438</b>	<b>100.0</b>	<b>562</b>	<b>100.0</b>

*Source: 2008 and 2009 Dun & Bradstreet Data; 2008 and 2009 small business Bank records*

As depicted in Table 8, in 2008, the Bank originated 364 small business loans, or 59.8 percent, by number, to businesses in its assessment area with GARs of \$1 million or less. The Bank was below the percentage of commercial businesses with GARs of \$1 million or less, at 65.6 percent.

In 2009, the Bank originated 320 small business loans, or 56.9 percent, by number, with GARs of \$1 million or less. The Bank was again below the percentage of commercial businesses with GARs of \$1 million or less, at 77.3 percent.

In 2010 (YTD), the Bank continued its small business lending by originating 164 loans, or 64.8 percent, to commercial businesses with GARs of \$1 million or less.

Given the competitive nature of the assessment area, the Bank's performance was considered reasonable.

The Bank's small business lending performance was also analyzed by loan size. This analysis is based on the premise that smaller businesses and start-ups typically have a need for small dollar loans. The Bank did a reasonable job of making smaller sized business loans.

<b>Table 9 – Distribution of Small Business Loans by Loan Size</b>				
<b>Loan Size (000s)</b>	<b>2008 Bank Lending Data</b>		<b>2009 Bank Lending Data</b>	
	#	%	#	%
<b>≤ \$100</b>	404	66.3	367	65.3
<b>&gt; \$100 ≤ \$250</b>	114	18.7	97	17.3
<b>&gt; \$250 ≤ \$1,000</b>	91	15.0	98	17.4
<b>Total</b>	<b>609</b>	<b>100.0</b>	<b>562</b>	<b>100.0</b>

*Source: 2008 and 2009 Bank small business bank records*

As illustrated in Table 9, in 2008, 66.3 percent of the Bank's small business loans in its assessment area were originated in amounts of \$100,000 or less, 18.7 percent were in amounts ranging between \$100,000 and \$250,000, and 15.0 percent were in amounts between \$250,000 and \$1 million.

In 2009, the Bank originated 65.3 percent of the small business loans in its assessment area in amounts of \$100,000 or less, 17.3 percent in amounts between \$100,000 and \$250,000, and 17.4 percent were in amounts between \$250,000 and \$1 million.

Analysis of the YTD data revealed that 78 percent of the Bank's small business loans were made in amounts of \$100,000 or less.

### ***Home Mortgage Lending***

Home mortgage lending data was reviewed to assess how well the Bank is meeting the credit needs of its assessment area residents. Emphasis was placed on the Bank's record of lending to low- and moderate-income borrowers. As depicted in Table 10, the Bank's performance reflects a reasonable penetration of loans to individuals of different income levels.

<b>Table 10 - Distribution of Home Mortgage Loans by Borrower Income</b>									
<b>Borrower Income Level</b>	<b>Family Distribution by Income Level</b>	<b>2009 Aggregate Lending Data</b>		<b>2009 Bank Lending Data</b>		<b>2008 Aggregate Lending Data</b>		<b>2008 Bank Lending Data</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	<b>21.3</b>	<b>2,634</b>	<b>8.9</b>	<b>41</b>	<b>12.1</b>	<b>1,633</b>	<b>9.0</b>	<b>17</b>	<b>9.1</b>
<b>Moderate</b>	<b>18.7</b>	<b>6,322</b>	<b>21.3</b>	<b>69</b>	<b>20.4</b>	<b>4,407</b>	<b>24.3</b>	<b>35</b>	<b>18.6</b>
<b>Middle</b>	<b>22.9</b>	<b>8,028</b>	<b>27.1</b>	<b>62</b>	<b>18.2</b>	<b>5,206</b>	<b>28.6</b>	<b>35</b>	<b>18.6</b>
<b>Upper</b>	<b>37.1</b>	<b>10,963</b>	<b>37.0</b>	<b>98</b>	<b>28.9</b>	<b>6,229</b>	<b>34.2</b>	<b>38</b>	<b>20.2</b>
<b>N/A</b>	<b>0.0</b>	<b>1,720</b>	<b>5.7</b>	<b>69</b>	<b>20.4</b>	<b>701</b>	<b>3.9</b>	<b>63</b>	<b>33.5</b>
<b>Total</b>	<b>100.0</b>	<b>29,667</b>	<b>100.0</b>	<b>339</b>	<b>100.0</b>	<b>18,176</b>	<b>100.0</b>	<b>188</b>	<b>100.0</b>

*Source: 2000 U.S. Census Data; 2008, 2009 and 2010 through June 30; HMDA LARs; Home Mortgage Aggregate Data 2008 and 2009.*

In 2008, the Bank originated 17 home mortgage loans, or 9.1 percent, by number, to low-income borrowers which corresponds with the aggregate market data of 9.0 percent. In 2009, the Bank originated 41 home mortgage loans, or 12.1 percent, by number, to low-income borrowers, higher than the aggregate at 8.9 percent. In both years, the Bank's penetration of loans to low-income borrowers was below the family distribution of 21.3 percent; however, over one third of low-income family households (8.7 percent of total families) are living below the poverty level. Based upon the income levels of low-income borrowers in the assessment area, it would be difficult for a low-income borrower to qualify for a conventional mortgage, even under flexible underwriting guidelines.

In 2009, the number of loans made to low- and moderate- income borrowers exceeded the 2008 numbers. Again, the Bank's percentage to low-income borrowers exceeded the aggregate performance. However, the Bank's percentage to moderate-income borrowers was slightly less than the aggregate.

A review of the 2008 market ranks revealed that Enterprise Bank ranked 32<sup>nd</sup> out of 193 lenders, by number, to low-income borrowers, and 35<sup>th</sup> out of 266 lenders to moderate-income borrowers. In 2009, the Bank ranked 20<sup>th</sup> out of 205 lenders to low-income borrowers and 29<sup>th</sup> out of 297 lenders to moderate-income borrowers. Generally, the Bank was only outperformed by larger regional banks and mortgage companies.

The Bank's 2010 (YTD) home mortgage numbers were below 2008 and 2009 levels, relative to low- and moderate-income borrowers; however, lending to moderate-income borrowers was in line with family distribution by income level for this period.

### **Response to CRA Complaints**

A review of FDIC and Division records, as well as the Public File maintained by the Bank pursuant to CRA regulations, disclosed no CRA-related complaints. The Bank maintains adequate procedures to handle complaints if there was a need to respond.

### **FAIR LENDING**

Significant violations of the Federal Reserve Board's Regulation B – Equal Credit Opportunity (ECOA) were identified during the compliance examination. The violations were substantive; however, the Bank's overall CRA rating was not negatively impacted. The effect of these violations on the assessment area is considered to be limited, and management committed to take appropriate corrective action.

## **COMMUNITY DEVELOPMENT TEST**

The Community Development Test evaluates the Bank's responsiveness to the community development needs of its assessment area through the provision of community development loans, qualified investments, and community development services as appropriate, considering the Bank's capacity and the need and availability of such opportunities in the institution's assessment area. The Bank's community development performance demonstrates an excellent responsiveness to the community development needs of its assessment area.

### **COMMUNITY DEVELOPMENT LOANS**

As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low- and moderate-income geographies. In addition, unless for a multifamily dwelling (five or more units), the loan must not be reported as a home mortgage or small business loan.

The Bank's level of community development lending is excellent. Enterprise Bank financed 30 qualified community development loans since the previous evaluation, totaling \$30.1 million. While it is acknowledged that the dollar amount is slightly less than the previous evaluation (\$31.9 million), the Bank's ability to originate such a high number of loans in the current economic climate is outstanding.

The following provides a summary of the Bank's community development lending activity during the evaluation period.

- The Bank participated in a renovation project at the Boy's and Girl's Club of Billerica in November of 2007 for \$833,334. The primary mission of the organization is to serve at-risk children, a majority of which are low- or moderate-income. The organization provides recreational, educational and social development programs. Scholarships are available to assist children from low-income families who cannot afford the fees.
- In 2008, the Bank originated 5 community development loans, totaling \$2.7 million. This figure includes a loan for a 20-unit, 40B development project, with 6 of the units specifically designated for low- and moderate-income individuals. Another loan was made to a local community development, anti-poverty organization for the purpose of working capital. The organization primarily serves low- and moderate-income individuals and families. The loan was made for \$1.45 million.
- In 2009, the Bank made 15 community development loans, totaling \$17.1 million. Notable community development loans during the year included a participation loan for \$6.6 million to subsidize low-income elderly housing properties, a 35-unit affordable housing development project, and an \$880,000 renovation project with a community action agency to renovate a property into a homeless shelter for low-income families.
- In 2010 (YTD), the Bank originated 9 community development loans, totaling \$9.5 million. Among the 2010 loans are 2 community development loans for the construction of a 37-unit affordable housing property. Also, the Bank financed the purchase of a charter school which targets inner city students who are at-risk of dropping out of school. The majority of the students are low- or moderate-income.

In addition to these examples, three other affordable housing projects were financed by the Bank during the examination period. These loans were secured by 1-4 family residential properties, and as a result were reported as HMDA loans. However, given the community development nature of these transactions, their inclusion in this section was warranted.

## **COMMUNITY DEVELOPMENT INVESTMENTS**

A qualified investment is defined as a lawful investment, deposit, membership share, or grant that has, as its primary purpose, community development.

The Bank has no traditional qualified equity investments; however, it does have a very good level of qualified grants and donations.

During the evaluation period, contributions made by the institution totaled \$1.7 million, of which, \$772,553, or 45.4 percent, was considered CRA qualified. Table 11 summarizes the Bank's qualified contributions by year, amount, and purpose.

<b>Table 11 - Community Development Grants &amp; Donations</b>								
<b>Community Development Category</b>	<b>2008</b>		<b>2009</b>		<b>2010</b>		<b>TOTAL</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
Affordable Housing for Low- and Moderate-Income	10	11,550	12	13,100	4	7,650	26	32,300
Community Services Targeted to Low- and Moderate-Income	68	97,028	58	164,920	56	71,155	182	333,103
Promote Economic Development	31	51,578	23	126,411	36	193,978	90	371,967
Revitalize Low- and Moderate-Income Areas	5	7,750	8	15,750	8	11,683	21	35,183
Total	114	167,906	101	320,181	104	284,466	319	772,553

*Source: Internal Bank records*

In 2008, the Bank granted \$167,906 in qualified contributions which accounted for 1.8 percent of pre-tax net operating income. In 2009, the Bank's donations represented 2.6 percent of pre-tax net operating income, and in 2010 (YTD), the donations totaled \$284,466, and represented 1.9 percent of pre-tax net operating income. Given the economic climate during the evaluation period, these figures are considered quite good.

The following are some of the organizations that benefited from the Bank's contributions: Lowell House, Inc., Boys and Girls Club of Salem, Coalition for a Better Acre, Merrimack Valley Economic Development Coalition, Consumer Credit Counseling Services, Salvation Army, Mill Cities Community Investments, Greater Salem Caregivers, and Merrimack Valley Housing Partnership.

Of particular note, are several large contributions to Lowell General Hospital. The donations provided by Enterprise Bank supported the hospital's expansion campaign. The hospital is located in a moderate-income tract within the assessment area, and provides health care to the area's low- and moderate-income population, often at no, or reduced, cost. The project is also estimated to create 337 construction jobs, as well as 158 new full-time positions. The project is expected to expand the hospital's workforce from 1,813 pre-construction, to 2,041 post-construction. The hospital is currently the City of Lowell's largest employer. The economic impact and benefit to the Greater Lowell community as a result of the project is estimated at \$200 million. During the time period, the Bank contributed \$200,000 to this campaign.

## **COMMUNITY DEVELOPMENT SERVICES**

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance. The Bank provided an excellent level of community development services.

### **Educational Programs**

Enterprise Bank devoted significant time and resources, in a leadership role, to several area organizations by providing financial education/literacy to the area's youth and adults.

The Bank developed the Enterprise Bank Non-Profit Collaborative in 2008. Through this endeavor the Bank created a series of educational forums on topics such as financial management, strategic planning, financial planning, fundraising, and technology. The Bank conducted several seminars in each year of the evaluation. Five seminars were held in 2008, 10 were held in 2009, and 8 were held in 2010. The seminars had over 400 attendees, and were held in Lowell, Andover, Fitchburg, Gardner, and Tewksbury, Massachusetts.

The Bank has also been active with local schools. In 2008, Bank staff taught the Money Smart Program at Methuen High School. A Bank Vice President made presentations on how to save money at three grammar schools in Lowell. Bank employees regularly speak at events on budgeting and banking, and held sessions at Middlesex Community College, Lowell High School, Lowell Middlesex Academy Charter School, Salem High School, Marshal Middle School, COMPASS Community College, the Row School, Presentation of Mary High School, the Greater Lowell Vocational School, and Westford Academy. Additionally, the Bank held two seminars on credit cards for the Lowell School Department.

Bank staff also partnered with community groups to offer adult education seminars. In 2008, the Bank offered presentations and classes at organizations such as Community Teamwork, Spindle City Corp., Light of Cambodia, Wilmington Housing Authority, Battered Women's Resources, Merrimack Valley Housing Partnership, Suit Ability, and the Young Parents Program.

In 2009, presentations were offered at Lowell Community Counseling Center, Cambodian Mutual Assistance of Greater Lowell, Suit Ability, Community Teamwork, Lowell Development Financial Corporation and the Institute for Non-Profit Management. Topics included: Identity Theft, Understanding Your Credit, Obtaining Credit, Repairing Your Credit, How to Save and Job Opportunities.

The Bank also established relationships with organizations that provide services to the elderly. In 2008 and 2009, Bank staff participated in the Money Management Program with Elder Services of Merrimack Valley. Bank staff also participated in programs to aid seniors with banking needs at D'Youville Senior Center, the North Chelmsford Elderly Housing, and the Pelham Senior Center.

### **Employee Services**

The Bank, through its employees, demonstrated its commitment to the assessment area by volunteering their time and financial expertise to community development organizations and programs that promote economic development opportunities for small businesses. The following are examples of the Bank's participation.

#### ***Light of Cambodian Children, Inc.***

Light of Cambodian Children was established in 1998 to encourage underserved young people to seek higher education, become self-sufficient, and serve as positive role models in the community. A majority of the young adults are low- or moderate income. The Bank's Learning and Development Specialist is on the Board of this organization.



***The Lowell Development and Financial Corporation (LDFC)***

The LDFC is a non-profit development corporation, established in 1975, to assist in Lowell's economic revitalization and stabilization. The organization's initial focus was to provide below market-rate, secondary financing for the rehabilitation and restoration of downtown buildings. Many of Lowell's low- and moderate-income census tracts are located downtown. The Bank's Administration Officer and Executive Vice President (EVP) is an Incorporator.

***Boys and Girls Club of Salem, NH, Greater Lowell, Billerica and Lawrence, MA***

The Bank's President is an Incorporator of the Lowell Boys and Girls Club, while Enterprise's Chief Executive Officer serves as the Treasurer. Another employee of the Bank is on the Board of the Salem Boys and Girls Club. The Bank's Internal Audit Director and Senior Vice President is on the Board of the Lawrence Boys and Girls Club. Each of these organizations strives to meet the needs of children, many of which are low- and moderate-income. Each location offers after school programs, and provides scholarships for children that are unable to afford the membership fee.

***Alternative House***

Alternative House, founded in 1972, provides support to at-risk children, youth and families through counseling, shelter, crisis intervention and neighborhood outreach. The majority of the people served are low- and moderate-income. The Bank's Human Resources Administrator is on the Board of this organization.

## MINORITY APPLICATION FLOW DIVISION OF BANKS

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. The Bank's minority application flow for this period was compared with the racial and ethnic composition of the assessment area and the 2009 aggregate data for all other HMDA reporters within the assessment area. As detailed below in Table 12, the comparison of these data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants.

<b>Table 12 MINORITY APPLICATION FLOW</b>								
RACE	2008 Bank		2009 Aggregate Data		2009 Bank		TOTAL Bank	
	#	%	#	%	#	%	#	%
American Indian/ Alaska Native	0	0.0	107	0.2	0	0.0	0	0.0
Asian	24	8.8	3,590	5.9	28	5.4	52	6.6
Black/ African American	1	0.4	646	1.1	0	0.0	1	0.2
Hawaiian/Pac Isl.	0	0.0	54	0.1	0	0.0	0	0.0
2 or more Minority	0	0.0	25	0.0	0	0.0	0	0.0
Joint Race (White/Minority)	1	0.4	568	0.9	2	0.4	3	0.4
Total Minority	26	9.6	4,990	8.2	30	5.8	56	7.2
White	191	69.9	41,787	68.9	402	78.1	593	75.2
Race Not Available	56	20.5	13,904	22.9	83	16.1	139	17.6
Total	273	100.0	60,681	100.0	515	100.0	788	100.0
<b>ETHNICITY</b>								
Hispanic or Latino	8	2.9	2,415	4.0	9	1.7	17	2.2
Not Hispanic or Latino	204	74.7	43,765	72.1	416	80.8	620	78.7
Joint (Hisp/Lat /Not Hisp/Lat)	4	1.5	503	0.8	5	1.0	9	1.1
Ethnicity Not Available	57	20.9	13,998	23.1	85	16.5	142	18.0
Total	273	100.0	60,681	100.0	515	100.0	788	100.0

Source: US Census, HMDA LAR, HMDA Aggregate Data

According to the 2000 Census data, the racial and ethnic break out of the assessment area is as follows: 81.3 percent White, 1.5 percent Black, 4.8 percent Asian, 0.1 percent American Indian/Alaskan, 10.8 percent Hispanic, and 1.5 percent reported race as "Other." The percentage of applications the Bank received was below demographic indicators. The aggregate also lagged the demographic data. As displayed above, the Bank received a higher percentage of applications from minority borrowers (9.6 percent) in 2008 than that received by the 2009 aggregate (8.2 percent). While the Bank's percentage of applications from minority borrowers decreased in 2009 (5.8 percent), and is lower than the 2009 aggregate (8.2 percent), the number of applications received by the Bank increased. The Bank's ethnicity applications in 2009 (1.7 percent) was lower than the 2009 aggregate (4.0 percent). The Bank's performance was found to be reasonable.

## **METROPOLITAN STATISTICAL AREAS**

### **SCOPE OF THE EVALUATION**

The scope is similar to the overall scope discussed previously. Please refer to the overall discussion for additional information.

### **DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN THE BOSTON-CAMBRIDGE-QUINCY, MA MSA/CBSA.**

The Bank maintains 15 offices in the Boston-Cambridge-Quincy, Massachusetts MSA.

### **DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN THE WORCESTER, MA MSA.**

The Bank maintains 2 offices in the Worcester, MA MSA.

### **DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN THE MANCHESTER-NASHUA, NH MSA.**

The Bank maintains no offices in the Manchester-Nashua, New Hampshire MSA, and as a result, no conclusions need to be made for IBBEA.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE IN THE BOSTON-CAMBRIDGE-QUINCY, MA MSA/CBSA AND WORCESTER, MA MSA**

A review of each respective MSA/CBSA revealed satisfactory performance overall. As the Boston-Cambridge-Quincy, MA MSA/CBSA includes 129 of the area's 155 total Census tracts, the analysis performed in the overall "Conclusions" section captures a significant portion of the Bank's activity. Please refer to that section for additional information.

# STATE OF MASSACHUSETTS CRA EVALUATION

## **CRA RATING FOR MASSACHUSETTS<sup>1</sup>: Satisfactory**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Outstanding**

A CRA rating of "Satisfactory" is assigned to the Bank's performance within the Massachusetts Assessment Area (MA-AA) portion of its overall assessment area. Enterprise Bank originated a majority of loans and other lending related activities in the Bank's assessment area during the evaluation period.

The Bank demonstrates a satisfactory record of helping to meet the credit needs of the MAAA, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank achieved a "Satisfactory" performance under the Lending Test and an "Outstanding" under the Community Development Test. A summary of the Bank's performance is provided below.

## **SCOPE OF EXAMINATION**

In accordance with the provisions of IBBEA, the Bank must be evaluated on an overall basis, as well as separately within Massachusetts and New Hampshire, as the Bank maintains branch offices in both states. The scope of the examination was similar to that defined in the overall section. The only difference is that this segment of the evaluation concentrated only on the Bank's performance in serving the needs of assessment area businesses and residents in the Massachusetts portion of its assessment area.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN MA**

The Bank's Operations Center and 11 branch offices are located in Middlesex County, 2 branch offices located in Essex County, and 2 branch offices are in Worcester County, Massachusetts. The office locations are in Andover, Methuen, Acton, Billerica, Chelmsford (2), Dracut, Lowell (2) North Billerica, Tewksbury (2), and Westford. Two branch offices and the operations center are located in low-income Census tracts (Lowell). Three branch offices are located in moderate-income Census tracts (Dracut, Fitchburg, and Leominster).

The Methuen branch was opened in May 2008; the Acton branch was opened in January 2009; and the Derry branch opened in June 2009 as a temporary location, but was relocated to a new Derry location in June 2010. No branch offices were closed during the period. All bank offices are considered full-service branches, equipped with ATMs and drive-up facilities.

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<sup>1</sup>For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

## **DESCRIPTION OF ASSESSMENT AREA (MA-AA)**

The MA-AA consists of 131 Census tracts in portions of Middlesex, Essex, and Worcester counties. Within Middlesex County there are 69 Census tracts in the Cambridge-Newton-Framingham, MA MD (#15764); in Essex County there are 42 Census tracts located in the Peabody, MA MD (#37764); and in Worcester County there are 20 Census tracts in the Worcester, MA MD (#49340).

### ***Geographies***

The MA-AA consists of 19 cities or towns, comprising 131 Census tracts. There are 24 low-, 28 moderate-, 56 middle-, and 23 upper-income tracts.

### ***Population***

Based on 2000 U.S. Census data, the total population of the MA-AA is 589,747, representing approximately 80.3 percent of total assessment area population.

### ***Business Data***

According to 2009 Dun & Bradstreet business geo-demographic data, there are approximately 43,726 businesses operating within the MA-AA. This represents approximately 76.1 percent of the businesses operating in the total assessment area, with 13.0 percent operating in the low-, 16.0 percent in moderate-, 47.5 percent in middle-, and 23.5 percent in upper-income Census tracts. When analyzed by size, 76.6 percent of all businesses have GARs of \$1 million or less.

### ***Family Distribution***

There are 151,121 families residing within the MA-AA, representing 79.4 percent of all families residing in the Bank's total assessment area. A total of 9.7 percent are low-, 21.3 percent moderate-, 49.4 percent middle-, and 19.7 percent upper-income. A total of 65,083 families are considered low- and moderate-income, representing 43.0 percent of low- and moderate-income families within the MA-AA. Consideration is also given to the distribution of families by income level, when compared to the adjusted MFI for the Peabody, MA MD, Cambridge-Newton-Framingham, MA MD and Worcester, MA MSA. The income figures were disclosed in the overall section of the evaluation.

### ***Housing***

Housing units within the MA-AA total 220,672, of which 136,764 (62.0 percent) are owner-occupied; 75,365 (34.2 percent) are occupied rental units; and 6,795 (3.1 percent) are vacant. Of the total number of owner-occupied housing units, 3.5 percent are in low-, 15.9 percent are in moderate-, 57.7 percent are in middle-, and 23.0 percent are in upper-income tracts. Approximately 80.1 percent of the overall assessment area's housing units are located in Massachusetts.

### ***Housing Prices***

According to the 2000 U.S. Census, the median housing value in the MA-AA was \$177,225; however, values have increased considerably since 2000. Median housing prices were addressed in more depth in the overall section of this evaluation.

### ***Unemployment and Economic Conditions***

These topics were addressed in the overall section of this evaluation.

# CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MA

## LENDING TEST: MA-AA

### Loan-to-Deposit Ratio

The Bank's LTD ratio in Massachusetts is considered reasonable. The majority of the factors utilized to evaluate the overall LTD, discussed previously, also apply to the LTD ratio for Massachusetts. As of June 30, 2010, total deposits in MA were \$1,082,462,420, while total loans as of this date stood at \$899,683,969, for an LTD ratio of 83.1 percent. The Bank's LTD was below the average LTD ratio of 93.6 percent. Pursuant to Section 109, a Bank's statewide LTD must be at least 50.0 percent of the host State LTD; therefore, the Bank meets the established criteria in Massachusetts.

### Assessment Area Concentration

This performance criterion measures the percentage of the Bank's lending that benefit assessment area residents and businesses and evaluates the adequacy of such lending. Overall, Enterprise Bank originated a majority of its small business and home mortgage loans within the MA-AA. The Bank's performance within the MA-AA is illustrated in Table 13.

The Bank originated a total of 2,136 small business and home mortgage loans in Massachusetts, totaling approximately \$349 million during the evaluation period. Of these loans, 82.7 percent, by number, and 76.9 percent, by dollar volume, were originated within the Massachusetts portion of the Bank's assessment area.

<b>Table 13</b> <b>Distribution of Loans Inside and Outside of the MA-AA</b>										
Loan Category or Type	Number Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2008 Small Business	518	82.9	107	17.1	625	66,526	79.4	17,218	20.6	83,744
2009 Small Business	486	84.7	88	15.3	574	66,661	82.2	14,446	17.8	81,107
2010 Small Business	201	81.7	45	18.3	246	21,276	73.0	7,768	27.0	29,044
<b>Subtotal</b>	<b>1,205</b>	<b>83.4</b>	<b>240</b>	<b>16.6</b>	<b>1,445</b>	<b>154,463</b>	<b>79.7</b>	<b>39,432</b>	<b>20.3</b>	<b>193,895</b>
2008 Home Mortgage	172	80.4	42	19.6	214	33,100	69.2	14,710	30.8	47,810
2009 Home Mortgage	304	82.2	66	17.8	370	60,698	74.3	20,960	25.7	81,658
20010 Home Mortgage	85	79.4	22	20.6	107	20,097	78.3	5,556	21.7	25,653
<b>Subtotal</b>	<b>561</b>	<b>81.2</b>	<b>130</b>	<b>18.8</b>	<b>691</b>	<b>113,895</b>	<b>73.4</b>	<b>41,226</b>	<b>26.6</b>	<b>155,121</b>
<b>Grand Total</b>	<b>1,766</b>	<b>82.7</b>	<b>370</b>	<b>17.3</b>	<b>2,136</b>	<b>268,358</b>	<b>76.9</b>	<b>80,658</b>	<b>23.1</b>	<b>349,016</b>

Source: Small Business Bank Records; HMDA LARs 2008, 2009, and 2010 through June 30.

### Small Business Lending

As depicted in Table 13, the Bank originated 518 small business loans totaling \$66.5 million inside its MA-AA in 2008, representing 82.9 percent by number and 79.4 percent by dollar amount. Table 13 also shows that the Bank originated 486 small business loans totaling \$66.7 million within its MA-AA in 2009, representing 84.7 percent, by number, and 82.2 percent, by dollar volume. In 2010 (through June 30), the Bank originated 201 small business loans within

its MA-AA, representing 81.7 percent, by number and 73.0 percent, by dollar amount. The number of small business loans within the MA-AA remains consistent with the prior years' results; however, a slight drop in total dollar amount for the period ending in 2010 (YTD) is evident and attributed to current economic conditions.

### ***Home Mortgage Lending***

Enterprise Bank originated 172 home mortgage loans totaling \$33.1 million inside its MA-AA in 2008, representing 80.4 percent, by number, and 69.2 percent, by dollar amount. In 2009, the Bank originated 304 home mortgage loans totaling \$60.7 million inside its MA-AA, representing 82.2 percent, by number, and 74.3 percent, by dollar amount. In 2010, the Bank originated 85 home mortgage loans totaling 78.3 percent inside its MA-AA, representing 81.2 percent, by number, and 78.3 percent, by dollar amount.

In 2008, the Bank ranked 27<sup>th</sup> by number, and 26<sup>th</sup> by total dollar amount, out of 411 lenders. In 2009, the Bank ranked 31<sup>st</sup> by number, and 35<sup>th</sup> by total dollar amount out of 404 lenders. The data indicates that Enterprise Bank faces significant competition in Massachusetts. Despite the high volume of competitors, the Bank did well in originating loans in the MA-AA.

### **Geographic Distribution**

The geographic distribution of loans was reviewed to assess the Bank's performance in addressing credit needs throughout its MA-AA. The primary focus of this analysis was to assess the Bank's loan distribution in its assessment area, with emphasis placed on lending in low- and moderate-income census tracts. Overall, the Bank's geographic distribution of small business and home mortgage loans reflects reasonable dispersion throughout the MA-AA. As noted previously, more weight was placed on the Bank's small business lending than home mortgage lending due to the Bank's lending focus.

### ***Small Business Lending***

The Bank's small business loan distribution in the MA-AA reflects reasonable dispersion. Table 14 depicts the distribution of such loans by income category of the Census tract.

<b>Table 14 – Distribution of Small Business Loans by Income Category of the Census Tract</b>								
<b>Census Tract Income Level</b>	<b>2008 Commercial Businesses</b>		<b>2008 Bank Lending Data</b>		<b>2009 Commercial Businesses</b>		<b>2009 Bank Lending Data</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>Low</b>	<b>5,409</b>	<b>13.3</b>	<b>68</b>	<b>13.1</b>	<b>5,686</b>	<b>13.0</b>	<b>52</b>	<b>10.7</b>
<b>Moderate</b>	<b>6,617</b>	<b>16.2</b>	<b>89</b>	<b>17.2</b>	<b>6,981</b>	<b>16.0</b>	<b>83</b>	<b>17.1</b>
<b>Middle</b>	19,315	47.3	287	55.4	20,777	47.5	269	55.3
<b>Upper</b>	9,489	23.2	74	14.3	10,282	23.5	82	16.9
<b>Total*</b>	<b>40,830</b>	<b>100.0</b>	<b>518</b>	<b>100.0</b>	<b>43,726</b>	<b>100.0</b>	<b>486</b>	<b>100.0</b>

*Source: 2008 and 2009 Dun & Bradstreet Data; 2008 and 2009 Small business Bank records.*

As shown in Table 14, in 2008, Enterprise Bank originated 68 small business loans in low-income Census tracts representing 13.1 percent, which is consistent with the percentage of small businesses in those tracts. In 2008, the Bank originated 89 small business loans in moderate-income Census tracts representing 17.2 percent, which is slightly higher than the percentage of small businesses in moderate-income Census tracts.

In 2009, the Bank originated 52 small business loans representing 10.7 percent, which is below the percentage of small businesses in low-income Census tracts. In the moderate-income Census tracts, in 2009, the Bank originated 83 small business loans representing 17.1 percent of small business loans. Enterprise Bank's percentage is slightly higher than the percentage of small businesses in the moderate-income Census tracts.

In 2010 (YTD), the Bank originated 16 small business loans in low-income Census tracts, representing 12.3 percent, which exceeds the percentage of 2010 commercial business in low-income Census tracts at 11.7 percent. In the moderate-income Census tracts, the Bank originated 14 small business loans, representing 10.8 percent, which is below the 15.5 percent of small businesses in the moderate-income Census tracts.

### ***Home Mortgage Lending***

The Bank's geographic distribution of home mortgage loans, on a percentage basis, reflects excellent dispersion throughout the MA-AA. Table 15 details the Bank's performance under this criterion.

<b>Table 15 – Number Distribution of Home Mortgage Loans by Income Category of the Census Tract</b>									
<b>Census Tract Income Level</b>	<b>% of Total Owner-Occupied Housing Units</b>	<b>2009 Aggregate Lending Data</b>		<b>2009 Bank Lending Data</b>		<b>2008 Aggregate Lending Data</b>		<b>2008 Bank Lending Data</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	<b>3.5</b>	<b>719</b>	<b>3.1</b>	<b>22</b>	<b>7.2</b>	<b>738</b>	<b>5.3</b>	<b>14</b>	<b>8.2</b>
<b>Moderate</b>	<b>15.9</b>	<b>2,618</b>	<b>11.2</b>	<b>56</b>	<b>18.4</b>	<b>2,347</b>	<b>16.7</b>	<b>43</b>	<b>25.0</b>
<b>Middle</b>	<b>57.6</b>	<b>12,537</b>	<b>53.5</b>	<b>165</b>	<b>54.3</b>	<b>7,593</b>	<b>54.2</b>	<b>90</b>	<b>52.3</b>
<b>Upper</b>	<b>23.0</b>	<b>7,554</b>	<b>32.2</b>	<b>61</b>	<b>20.1</b>	<b>3,334</b>	<b>23.8</b>	<b>25</b>	<b>14.5</b>
<b>N/A</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>.0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>100.0</b>	<b>23,428</b>	<b>100.0</b>	<b>304</b>	<b>100.0</b>	<b>14,013</b>	<b>100.0</b>	<b>172</b>	<b>100.0</b>

*Source: U.S. Census (2000), HMDA LAR 2008, 2009, and 2010 through June 30; Home Mortgage Aggregate Data 2008 and 2009.*

As noted in Table 15, in 2008, the Bank originated 14 home mortgage loans in low-income Census tracts, or 8.2 percent, exceeding the aggregate market data of 5.3 percent. In moderate-income Census tracts, the Bank originated 43 loans, or 25.0 percent, exceeding the 2008 aggregate market data of 16.7 percent.

In 2009, the Bank originated 22 loans, or 7.2 percent, by number, in low-income Census tracts outpacing the 2009 aggregate market data of 3.1 percent. In moderate-income Census tracts, the Bank originated 56 loans, or 18.4 percent, which exceeded the 2009 aggregate market data at 11.2 percent.

A review of the 2008 market ranks revealed that Enterprise Bank ranked 17<sup>th</sup> out of 145 lenders, by number, in the originating loans in low-income census tracts. The Bank ranked 17<sup>th</sup> out of 215 lenders in the area's moderate-income tracts.

A similar analysis was performed for 2009 and revealed that the Bank ranked 12<sup>th</sup> out of 125 lenders, by number, in the low-income Census tracts, and 18<sup>th</sup> out of 213 lenders, in the moderate-income Census tracts in the MA-AA.



This data reflects significant competition in the area. It should be noted that the only financial institutions that exceeded the Bank in market share were larger regional banks, mortgage companies, and a larger credit union.

The Bank's geographic distribution of home mortgage lending in the MA-AA in low- and moderate-income Census tracts, compared to the aggregate market data in 2008 and 2009 closely resembles the Bank's overall home mortgage lending, due to the MA-AA large percentage of geographies within the Bank's overall assessment area. The Bank's geographic distribution in the MA-AA is excellent based on performance and market share results. The Bank's performance reflects the excellent dispersion of home mortgage loans throughout the low- and moderate- income geographies.

In 2010, the Bank originated 7 loans, or 8.2 percent, in low-income Census tracts, and 20 loans, or 23.5 percent, in moderate-income census tracts. Both low-income and moderate-income percentages exceed the percentage of total owner-occupied housing units of 3.5 percent, and 15.9 percent, respectively, in the MA-AA, which demonstrates the Bank's continued emphasis on making loans in the area's low- and moderate-income tracts.

### **Borrower Profile**

The distribution of loans based on business revenue and borrower income was reviewed to determine the extent to which the Bank is addressing the credit needs of its small business customers and its residents in 2008 and 2009 within the Bank's MA-AA. Enterprise Bank's performance is considered reasonable. The distribution of borrowers reflects, given the demographics of the MA-AA, reasonable penetration of business customers of different sizes and among individuals of different income levels (including low- and moderate- income) within the Bank's MA-AA.

### ***Small Business Lending***

The Bank had a reasonable penetration of small business loans to businesses of different revenue sizes.

<b>Table 16 – Distribution of Small Business Loans by Gross Annual Revenue Category (GAR)</b>								
<b>GAR (000s)</b>	<b>2008 Commercial Businesses</b>		<b>2009 Commercial Businesses</b>		<b>2008 Bank Lending Data</b>		<b>2009 Bank Lending Data</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>≤ \$1,000</b>	<b>26,823</b>	<b>65.7</b>	<b>33,500</b>	<b>76.6</b>	<b>301</b>	<b>58.1</b>	<b>279</b>	<b>57.4</b>
<b>&gt; \$1,000</b>	2,402	5.9	2,463	5.6	211	40.7	205	42.2
<b>Revenues N/A</b>	11,605	28.4	7,763	17.8	6	1.2	2	.4
<b>Total</b>	<b>40,830</b>	<b>100.0</b>	<b>43,726</b>	<b>100.0</b>	<b>518</b>	<b>100.0</b>	<b>486</b>	<b>100.0</b>

*Source: 2008 and 2009 Dun & Bradstreet Data; 2008 and 2009 small business Bank lending CRA LR records.*

In 2008 the Bank originated 301 small business loans, or 58.1 percent of this category of loans for that year, to businesses with GARs of \$1 million or less. The Bank's performance was below the percentage of commercial businesses (65.7 percent) located in the MA-AA.

In 2009, the Bank originated 279 small business loans, or 57.4 percent of total loans, to businesses with GARs of \$1 million or less. The Bank's performance was well below the 76.6 percent of commercial businesses located in the MA-AA.

In 2010, the Bank originated 127 small business loans, or 63.2 percent were to businesses with GARs of \$1 million or less, which is below the 77.6 percent of commercial business in this category according to 2010 Dun & Bradstreet Data.

The Bank's small business lending performance was also analyzed by loan size. As depicted in Table 17, Enterprise Bank has done a reasonable job of granting smaller dollar business loans.

<b>Table 17 – Distribution of Small Business Loans by Loan Size</b>				
<b>Loan Size (000s)</b>	<b>2008 Bank Lending Data</b>		<b>2009 Bank Lending Data</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>≤ \$100</b>	354	68.3	327	67.3
<b>&gt; \$100 ≤ \$250</b>	92	17.8	83	17.1
<b>&gt; \$250 ≤ \$1,000</b>	72	13.9	76	15.6
<b>Total</b>	<b>518</b>	<b>100.0</b>	<b>486</b>	<b>100.0</b>

Source: 2008 and 2009 bank small business lending records.

Table 17 indicates that the Bank is attempting to meet the credit needs of MA-AA's small businesses. The Bank has been consistent in the number of loans it originated, as well as the percentages (by loan size). Given the competitive nature of the area, coupled with the economic conditions of the area, the Bank's performance is considered reasonable. A review of the Bank's YTD 2010 data revealed that Enterprise Bank continues to serve the area's small businesses.

### ***Home Mortgage Lending***

Home mortgage lending data was reviewed to assess how well the Bank is addressing the housing credit needs of the MA-AA residents. Consideration was placed on the Bank's records of lending to low- and moderate- income borrowers. As depicted in Table 18, the distribution of borrowers reflects, given the demographics of the MA-AA, reasonable penetration among individuals of different income levels (including low- and moderate-income).

<b>Table 18 - Distribution of Home Mortgage Loans by Borrower Income</b>									
<b>Borrower Income Level</b>	<b>Family Distribution by Income Level</b>	<b>2009 Aggregate Lending Data</b>		<b>2009 Bank Lending Data</b>		<b>2008 Aggregate Lending Data</b>		<b>2008 Bank Lending Data</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	<b>23.8</b>	<b>2,230</b>	<b>9.5</b>	<b>36</b>	<b>11.8</b>	<b>1,366</b>	<b>9.8</b>	<b>16</b>	<b>9.3</b>
<b>Moderate</b>	<b>19.3</b>	<b>5,072</b>	<b>21.7</b>	<b>67</b>	<b>22.0</b>	<b>3,537</b>	<b>25.2</b>	<b>33</b>	<b>19.2</b>
<b>Middle</b>	<b>22.2</b>	<b>6,300</b>	<b>26.9</b>	<b>54</b>	<b>17.8</b>	<b>3,942</b>	<b>28.1</b>	<b>32</b>	<b>18.6</b>
<b>Upper</b>	<b>34.7</b>	<b>8,510</b>	<b>36.3</b>	<b>90</b>	<b>29.6</b>	<b>4,588</b>	<b>32.8</b>	<b>33</b>	<b>19.2</b>
<b>N/A</b>	<b>0.0</b>	<b>1,316</b>	<b>5.6</b>	<b>57</b>	<b>18.8</b>	<b>580</b>	<b>4.1</b>	<b>58</b>	<b>33.7</b>
<b>Total</b>	<b>100.0</b>	<b>23,428</b>	<b>100.0</b>	<b>304</b>	<b>100.0</b>	<b>14,013</b>	<b>100.0</b>	<b>172</b>	<b>100.0</b>

Source: 2000 U.S. Census Data; 2008, 2009 HMDA LARs; Home Mortgage Aggregate Data 2008 and 2009.

As depicted in Table 18, in 2008, 9.3 percent of the total number of the Bank's home mortgage loans were granted low-income borrowers; slightly below that of the 2008 aggregate market data at 9.8 percent. Enterprise Bank's performance was below the percentage of low-income family households (23.8 percent); however, the disparity is explained, in part, by the high percentage (9.9 percent) of low-income family households living below the poverty line in the MA-AA.

As illustrated in Table 18, in 2008, the Bank originated 19.2 percent of home mortgage loans, by number, to moderate-income borrowers, which was slightly below 2008 aggregate market data of 25.2 percent; however, the performance is in line with the percentage of moderate-income family households of 19.3 percent.

In 2009, as depicted in Table 18, the Bank originated 11.8 percent of the Bank's home mortgage loans to low-income borrowers; which is above the 2009 aggregate market data at 9.5 percent.

In 2009, the Bank originated 22.0 percent of the total number of the Bank's home mortgage loans to moderate-income borrowers which is in line with the 2009 aggregate market data at 21.7 percent.

In terms of market share, in 2008, the Bank's lending performance to low-income borrowers was tied for 28<sup>th</sup> out of 176 lenders. The Bank's lending performance to moderate-income borrowers was also 28<sup>th</sup>; however, there were 234 lenders.

In 2009, in terms of market share, the Bank was ranked 22<sup>nd</sup> out of 183 lenders reporting loans to low-income borrowers, and ranked 27<sup>th</sup> out of 265 lenders to moderate-income borrowers.

### **Response to CRA Complaints**

Please refer to the overall performance summary for additional information.

### **COMMUNITY DEVELOPMENT TEST - Outstanding**

Overall, the Bank's displayed excellent responsiveness within the MA-AA.

The Bank made 28 community development loans, totaling almost \$23 million within its MA-AA. Enterprise Bank maintains relationships with several community development organizations and non-profits. As discussed previously in the overall "Conclusions" section, the Bank is a leader in the area in providing financial education and literacy. The Bank's level of qualified donations is also considered good. Within the MA-AA, the Bank had almost \$700,000 in qualified contributions.

Please refer to the Bank's overall performance for additional information.

# STATE OF NEW HAMPSHIRE CRA EVALUATION

## **CRA RATING FOR New Hampshire<sup>2</sup>: Satisfactory**

**The Lending Test is rated:** **Satisfactory**

**The Community Development Test is rated:** **Satisfactory**

A CRA rating of "Satisfactory" is assigned to the Enterprise Bank's performance within the New Hampshire assessment area (NH-AA). The Bank maintained a satisfactory record of helping to meet the credit needs of the NH-AA, including moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Similar to the overall assessment, the New Hampshire rating is based on the results of two performance tests: the Lending Test and the Community Development Test; the Bank achieved "Satisfactory" performance ratings under each test.

## **SCOPE OF EXAMINATION**

In accordance with the provisions of IBBEA, the Bank must be evaluated on an overall basis, as well as separately within both New Hampshire and Massachusetts, since the Bank maintains branch offices in both states.

The scope of the examination was similar to the scope defined in the overall section. The only difference is that this segment of the evaluation concentrated on the Bank's performance in serving the needs of assessment area businesses and residents in New Hampshire.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN NH**

The Bank operates two branch offices in New Hampshire. One branch is located in Derry, the other in Salem. Both are located in Rockingham County. The Derry branch is located at 60 Crystal Avenue, and opened during the evaluation period in June 2009. The branch was relocated to 47 Crystal Avenue in June 2010. The Derry branch is located in a moderate-income Census tract and the Salem office is located in middle-income Census tract. Both bank offices are considered full-service branches, equipped with ATMs and drive-up facilities.

## **DESCRIPTION OF ASSESSMENT AREA (NH-AA)**

As noted previously, the NH-AA consists 24 Census tracts located in portions of Hillsborough, and Rockingham counties. In Rockingham County the 18 Census tracts are located in the Rockingham County-Stafford County, New Hampshire MD (#40484). In Hillsborough County there are 6 Census tracts located in the Manchester-Nashua, New Hampshire MSA (#31700).

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<sup>2</sup>For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

### ***Geographies***

The NH-AA consists of 24 Census tracts located in 8 cities or towns. There are no low-income geographies; 2 moderate-income; 12 middle-income; and 10 upper-income Census tracts.

### ***Population***

Based on 2000 U.S. Census data, the total population of the NH-AA is 144,395, representing approximately 19.7 percent of the total Bank assessment area population.

### ***Business Data***

According to 2009 Dun & Bradstreet business geo-demographic data, there are approximately 13,712 businesses operating within the NH-AA. This represents approximately 23.9 percent of total businesses operating in the Bank's entire assessment area. The breakdown by Census tracts is as follows: 1,134 businesses, or 8.3 percent, are in moderate-; 7,056, or 51.5 percent are in middle-; and 5,552, or 40.3 percent, are in upper-income Census tracts. When analyzed by size of business, 10,871, or 79.3 percent of the businesses have GARs of \$1 million or less, which are considered a small business for the purposes of this analysis.

### ***Family Distribution***

Based on 2000 U.S. Census data, there are 39,309 families residing within the NH-AA, representing 26.0 of all families residing in the Bank's total assessment area. A total 7.3 percent are moderate-; 47.4 percent are middle-; and 40.7 percent are upper-income. A total of 11,131 (or 28.3 percent) of families are considered low- and moderate-income.

Consideration is also given to the distribution of families by income level, when compared to the adjusted MFI for the Manchester-Nashua, New Hampshire MSA and the Rockingham County-Stafford County, New Hampshire MD; and the non-MSA portion of New Hampshire. The data was provided in the Table 2 of the overall Bank performance context.

### ***Housing***

Housing units within the NH-AA total 54,957, of which 40,029 (72.8 percent) are owner-occupied; 10,892 (19.8 percent) are occupied rental units; and 1,916 (3.5 percent) are vacant. Of the total of owner-occupied housing units: 4.9 percent are located in moderate-; 47.3 percent in middle-; and 47.8 percent in the upper-income census tracts. Approximately 52,837, or 19.4 percent, of the overall housing units in the Bank's assessment area are located in New Hampshire.

### ***Housing Prices***

Current median housing prices were addressed in more depth in the overall section of this evaluation.

### ***Unemployment***

This topic was addressed in detail in the overall section of this evaluation.

### ***Economic Conditions***

Please refer to the overall section of this evaluation.

# CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NH

## LENDING TEST-NH-AA

### Loan-to-Deposit Ratio

Enterprise Bank's LTD ratio in New Hampshire is considered more than reasonable. The LTD ratio, as of June 30, 2010, was 216.7 percent. The Bank's branch presence in New Hampshire began in December 2004, with the Salem office.

The Bank's LTD ratio is higher than the LTD ratio of 89 percent in NH, the host state. The current ratio significantly exceeds the 50 percent requirement of a host state.

### Assessment Area Concentration

This performance criterion measures the percentage of the Bank's lending that benefits assessment businesses and area residents and evaluates the adequacy of such lending. Enterprise Bank originated a majority of its small business and home mortgage loans within the NH-AA. The Bank's performance demonstrates a satisfactory responsiveness to assessment area credit needs.

As illustrated in Table 19, the bank originated 411 small business and home mortgage loans in New Hampshire, totaling approximately \$81.5 million during the evaluation period. Of these loans, 67.4 percent by number, and 61.7 percent by dollar volume, were originated inside the NH-AA.

<b>Table 19-Distribution of Loans Inside and Outside of the NH-AA</b>										
Loan Category or Type	Number Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$ (000)	%	\$ (000)	%	
2008 Small Business	91	75.8	29	24.2	120	15,936	72.4	6,088	27.6	22,024
2009 Small Business	76	71.0	31	29.0	107	16,319	71.4	6,550	28.6	22,869
2010 Small Business	52	67.5	25	32.5	77	6,454	57.8	4,716	42.2	11,170
<b>Subtotal</b>	<b>219</b>	<b>72.0</b>	<b>85</b>	<b>28.0</b>	<b>304</b>	<b>38,709</b>	<b>69.0</b>	<b>17,354</b>	<b>31.0</b>	<b>56,063</b>
2008 Home Mortgage	16	57.1	12	42.9	28	3,804	48.7	4,011	51.3	7,815
2009 Home Mortgage	35	58.3	25	41.2	60	6,640	50.7	6,448	49.3	13,088
2010 Home Mortgage	7	36.8	12	63.2	19	1,129	25.0	3,390	75.0	4,519
<b>Subtotal</b>	<b>58</b>	<b>54.2</b>	<b>49</b>	<b>45.8</b>	<b>107</b>	<b>11,573</b>	<b>45.5</b>	<b>13,849</b>	<b>54.5</b>	<b>25,422</b>
<b>Grand Total</b>	<b>277</b>	<b>67.4</b>	<b>134</b>	<b>32.6</b>	<b>411</b>	<b>50,282</b>	<b>61.7</b>	<b>31,203</b>	<b>38.3</b>	<b>81,485</b>

Source: Small Business Bank Records; HMDA LARs 2008, 2009, and 2010 through June 30.

### Small Business Lending

In 2008, the Bank originated 91 small business loans, totaling \$15.9 million in the NH-AA, representing 75.8 percent, by number, and 72.4 percent, by dollar amount. In 2009, the Bank originated 76 small business loans within the NH-AA, representing 71.0 percent, by number, and 71.4 percent, by dollar volume. In 2010 (through June), there were 52 small business loans originated in the NH-AA totaling approximately \$6.5 million, representing only 67.5 percent, by number and 57.8 percent, by dollar amount.

### ***Home Mortgage Lending***

In 2008, Enterprise Bank originated 16 home mortgage loans totaling \$3.8 million in the NH-AA, representing 57.1 percent, by number, and 48.7 percent, by dollar amount. In 2009, the Bank originated 35 home mortgage loans totaling \$6.6 million inside the NH-AA, representing 57.1 percent, by number, and 50.7 percent, by dollar amount. In 2010 (YTD), the Bank originated only 7 home mortgage loans totaling \$1.1 million in the NH-AA, representing 36.8 percent, by number, and 25.0 percent, by dollar amount. There were no substantial differences when analyzing data by product type for each year.

The fluctuation in home mortgage loan volume from 2008 to 2010 is a bit of a concern; however, this appears attributed to market conditions and competition. In 2008, the Bank ranked 60<sup>th</sup> of 259 lenders. In 2009, with the Derry branch presence, Enterprise improved to 47<sup>th</sup> out of 262 lenders. Given the highly competitive lending environment, the Bank's lending performance is considered reasonable.

### **Geographic Distribution**

The geographic distribution of loans was reviewed to assess the Bank's performance in addressing credit needs in its NH-AA. The primary focus of this analysis was to assess the Bank's loan distribution in this assessment area, with emphasis placed on small business lending in moderate-income Census tracts. As noted above, there are no low-income Census tracts in the NH-AA and there are only two moderate-income census tracts in the NH-AA. Overall, the Bank's geographic distribution of small business and home mortgage loans reflects a reasonable dispersion throughout the assessment area.

### ***Small Business Lending***

Overall, the Bank's small business loan dispersion is reasonable in relation to the percentage of commercial businesses operating within the NH-AA. Table 20 depicts the distribution of small business loans by income category of the Census tract.

<b>Table 20 – Distribution of Small Business Loans by Income Category of the Census Tract</b>								
<b>Census Tract Income Level</b>	<b>2008 Commercial Businesses</b>		<b>2008 Bank Lending Data</b>		<b>2009 Commercial Businesses</b>		<b>2009 Bank Lending Data</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Moderate</b>	<b>1,106</b>	<b>8.5</b>	<b>2</b>	<b>2.2</b>	<b>1,134</b>	<b>8.3</b>	<b>4</b>	<b>5.3</b>
<b>Middle</b>	6,813	52.1	64	70.3	7,056	51.4	48	63.2
<b>Upper</b>	3,458	39.4	25	27.5	5,522	40.3	24	31.5
<b>Total*</b>	<b>13,067</b>	<b>100.0</b>	<b>91</b>	<b>100.0</b>	<b>13,712</b>	<b>100.0</b>	<b>76</b>	<b>100.0</b>

*Source: 2008 and 2009 Dun & Bradstreet Data; 2008 and 2009 Small business Bank records.*

In 2008, as depicted in Table 20, the Bank originated 2 loans, or 2.2 percent, in the NH-AA's 2 moderate-income Census tracts. The Bank's performance was below the percentage of commercial businesses located in the moderate-income tracts, at 8.5 percent.

In 2009, the Bank originated 4 small business loans within the moderate-income Census tracts. The Bank's performance was below the percentage of commercial businesses located in moderate-income tracts, at 8.3 percent.

In 2010, the Bank originated 8 small business loans in the moderate-income Census tracts. The number of loans represents, by number, 15.2 percent of the total of 52 small business loans originated during this time period which is more than the number of small business loans originated in the NH-AA in the prior two years combined. This improvement is considered positive in light of the economic conditions and competition within the area.

In 2009, the Bank did not originate a small business loan in 6 of 24 Census tracts; however, the Bank did originate a small business loan in the two moderate-income Census tracts in the NH-AA.

In 2010 (through June), the Bank did not originate a small business loan in 7 of 24 Census tracts. Of the 7 Census tracts, one was a moderate-income Census tract (Derry-0035); however, there were eight small business loans originated in the other moderate-income Census tract which exceeded the prior two years combined. This tract is also in Derry (0034).

### ***Home Mortgage Lending***

As depicted in Table 21, the Bank's home mortgage loan distribution reflects reasonable dispersion throughout the NH-AA.

<b>Table 21 – Number Distribution of Home Mortgage Loans by Income Category of the Census Tract</b>									
<b>Census Tract Income Level</b>	<b>% of Total Owner-Occupied Housing Units</b>	<b>2009 Aggregate Lending Data</b>		<b>2009 Bank Lending Data</b>		<b>2008 Aggregate Lending Data</b>		<b>2008 Bank Lending Data</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Moderate</b>	<b>4.9</b>	<b>194</b>	<b>3.1</b>	<b>1</b>	<b>2.9</b>	<b>221</b>	<b>5.3</b>	<b>0</b>	<b>0.0</b>
<b>Middle</b>	47.3	2,621	42.0	16	45.7	1,836	44.1	9	56.3
<b>Upper</b>	47.8	3,424	54.9	18	51.4	2,106	50.6	7	43.8
<b>Total</b>	<b>100.0</b>	<b>6,239</b>	<b>100.0</b>	<b>34</b>	<b>100.0</b>	<b>4,163</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>

*Source: U.S. Census (2000), HMDA LAR 2008, 2009, and 2010 through June 30; Home Mortgage Aggregate Data 2008 and 2009.*

In 2008, the Bank did not originate a home mortgage loan in a moderate-income tract; however, it is important to note that the Bank did not have a presence in Derry in 2008, and the area's two moderate-income tracts are located in Derry.

In 2009, the Bank originated one loan in a moderate-income tract. On a percentage basis, the Bank's performance is in line with the aggregate; however, the limited number of loans tempers the performance. Again, it is important to note that Enterprise Bank did not establish a presence in Derry until June 2009.

Given the competitive nature of the area, the economic conditions of the area, and lack of branch presence in Derry until June 2009, the Bank's performance is considered reasonable at this evaluation.



## Borrower Profile

The distribution of loans based on business revenue and borrower income was reviewed to determine the extent to which the bank is addressing the credit needs of the area's small business customers and residents. Enterprise Bank's performance, relative to lending to small businesses of different sizes and borrowers of different incomes, is considered reasonable.

### *Small Business Lending*

The Bank has a reasonable penetration of small business loans to businesses of different revenue sizes. The data utilized for this analysis is presented in Table 22.

<b>Table 22 – Distribution of Small Business Loans by Gross Annual Revenue Category (GAR)</b>								
<b>GAR (000s)</b>	<b>2008 Commercial Businesses</b>		<b>2008 Bank Lending Data</b>		<b>2009 Commercial Businesses</b>		<b>2009 Bank Lending Data</b>	
	#	%	#	%	#	%	#	%
<b>≤ \$1,000</b>	<b>8,538</b>	<b>65.3</b>	<b>63</b>	<b>69.2</b>	<b>10,871</b>	<b>79.3</b>	<b>41</b>	<b>53.9</b>
<b>&gt; \$1,000</b>	769	5.9	28	30.8	769	5.6	35	46.1
<b>Revenues N/A</b>	3,760	28.8	-0-	0.0	2,072	29.9	-0-	0.0
<b>Total</b>	<b>13,067</b>	<b>100.0</b>	<b>91</b>	<b>100.0</b>	<b>13,712</b>	<b>100.0</b>	<b>76</b>	<b>100.0</b>

*Source: 2008 and 2009 bank small business lending records; 2008 and 2009 Dun & Bradstreet Data*

As depicted in Table 22, in 2008, the Bank originated 63 small business loans, or 69.2 percent of this category of loans for that year, to businesses with GARs of \$1 million or less. The Bank's performance exceeds the percentage of commercial businesses (65.3 percent) with revenues of \$1 million or less located in the NH-AA.

In 2009, the Bank originated 41 small business loans, or 53.9 percent of total loans, to businesses with GARs of \$1 million or less. The Bank's performance is below the percentage of commercial businesses (79.3 percent) with revenues of \$1 million or less located in the NH-AA.

In 2010, the Bank originated 37 small business loans, or 71.1 percent, of the total of this category of loans to businesses with GARs of \$1 million or less. The Bank's performance is slightly below the percentage of commercial businesses (78.2 percent), according to 2010 Dun & Bradstreet data, of commercial businesses with GARs of \$1 million or less in the NH-AA.

The Bank's small business lending performance was also analyzed by loan size. As depicted in Table 23, Enterprise Bank did a reasonable job of granting smaller dollar business loans.

<b>Table 23 – Distribution of Small Business Loans by Loan Size</b>				
<b>Loan Size (000s)</b>	<b>2008 Bank Lending Data</b>		<b>2009 Bank Lending Data</b>	
	#	%	#	%
<b>≤ \$100</b>	50	54.9	40	52.6
<b>&gt; \$100 ≤ \$250</b>	22	24.2	14	18.4
<b>&gt; \$250 ≤ \$1,000</b>	19	20.9	22	29.0
<b>Total</b>	<b>91</b>	<b>100.0</b>	<b>76</b>	<b>100.0</b>

*Source: 2008 and 2009 bank small business lending records.*

As reflected in Table 23, the Bank appears to be serving the loan needs of the area's small businesses.

### ***Home Mortgage Lending***

Home mortgage lending data was reviewed to assess how well the Bank is addressing the housing credit needs of the NH-AA residents. Consideration was placed on the Bank's records of lending to low- and moderate-income borrowers. As depicted in Table 24, the distribution of borrowers reflects, given the demographics of the NH-AA, reasonable penetration among individuals of different income levels (including low- and moderate-income individuals).

<b>Table 24 - Distribution of Home Mortgage Loans by Borrower Income</b>									
<b>Borrower Income Level</b>	<b>Family Distribution by Income Level</b>	<b>2009 Aggregate Lending Data</b>		<b>2009 Bank Lending Data</b>		<b>2008 Aggregate Lending Data</b>		<b>2008 Bank Lending Data</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	<b>11.9</b>	<b>404</b>	<b>6.5</b>	<b>5</b>	<b>14.3</b>	<b>267</b>	<b>6.4</b>	<b>1</b>	<b>6.3</b>
<b>Moderate</b>	<b>16.4</b>	<b>1,250</b>	<b>20.0</b>	<b>2</b>	<b>5.7</b>	<b>870</b>	<b>20.9</b>	<b>2</b>	<b>12.5</b>
<b>Middle</b>	25.6	1,728	27.7	8	22.9	1,264	30.4	2	12.5
<b>Upper</b>	46.1	2,453	39.3	8	22.9	1,641	39.4	6	37.5
<b>N/A</b>	0.0	404	6.5	12	34.2	121	2.9	5	31.2
<b>Total</b>	<b>100.0</b>	<b>6,239</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>4,163</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>

*Source: 2000 U.S. Census Data; 2008, 2009; HMDA LARs; Home Mortgage Aggregate Data 2008 and 2009.*

In 2008, as presented in Table 24, 6.3 percent of the total number of the Bank's home mortgage loans were granted to low-income borrowers, in line with that of the 2008 aggregate market data at 6.4 percent. Enterprise Bank's performance was below the percentage of low-income family households (11.9 percent); however, the disparity is explained, in part, by the percentage (3.5 percent) of low-income family households living below the poverty line in the NH-AA.

In 2008, the Bank originated 12.5 percent of home mortgage loans, by number, to moderate-income borrowers, which was below the 2008 aggregate market data of 20.9 percent.

In 2009, the Bank originated 14.3 percent of home mortgage loans, by number, to low-income borrowers, which exceeded 2009 aggregate market data of 6.5 percent. The Bank also originated 5.7 percent of home mortgage loans, by number, to moderate-income borrowers falling well below the 2009 aggregate market data of 20.0 percent, as well as, well below the percentage (16.4 percent) of moderate-income family households.

In 2010 (through June 30), the Bank originated only 2 loans to low-income borrowers and no loans to moderate-income borrowers.

In terms of market share, in 2008, the Bank's lending performance to low-income borrowers was tied for 77<sup>th</sup> out of 79 reporters. The Bank's lending performance to moderate-income borrowers was tied for 61<sup>st</sup> of 134 lenders. In 2009, the Bank ranked 27 out of 97 lenders to low-income borrowers, and 83<sup>rd</sup> out of 156 to moderate-income borrowers.

Given the competitive nature of the assessment area, coupled with the limited branch presence, the Bank's performance at this evaluation is considered reasonable.

## **Response to CRA Complaints**

Please refer to the overall performance summary for additional information.

### **COMMUNITY DEVELOPMENT TEST - Satisfactory**

Enterprise Bank demonstrated an adequate responsiveness to the community development needs of the NH-AA. The Bank's community development presence in New Hampshire is less predominant than in Massachusetts, which is reasonable considering the demographics of the area and the Bank's limited branch presence.

The Bank met the community development needs of the area by providing community development loans, qualified donations, and community development services. The Bank made a reasonable level of community development loans (2 loans) during the evaluation period, totaling \$7.4 million. The Bank also provided \$53,540 in qualified contributions. It should be noted that certain Bank donations benefitted both the NH-AA and MA-AA. The Bank has relationships with several community development organizations that serve the NH-AA. Bank employees have a good level of involvement and provide financial expertise.

Please refer to the Bank's overall performance for additional information.

## APPENDIX - GENERAL DEFINITIONS

### GEOGRAPHY TERMS

**Block:** Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

**Block Group:** Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

**Block Numbering Areas (BNAs):** Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

**Rural Area:** Territories, populations and housing units that are not classified as urban.

## **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 222 Merrimack Street, Lowell, MA 01852."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.